

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Ravenna Township	County Muskegon
Audit Date 6/30/05	Opinion Date 8/22/05	Date Accountant Report Submitted to State: 9/22/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

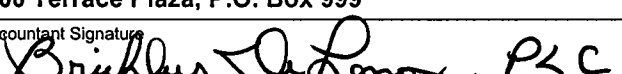
- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Brickley DeLong, PLC

Street Address 500 Terrace Plaza, P.O. Box 999	City Muskegon	State MI	ZIP 49443-0999
Accountant Signature 		Date 9/22/05	

Ravenna Township
Muskegon County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended June 30, 2005

Ravenna Township

TABLE OF CONTENTS

Management’s Discussion and Analysis.....	i - vii
Independent Auditors’ Report	1
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Balance Sheet—Governmental Funds	4
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balances —Governmental Funds	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Fiduciary Net Assets	8
Notes to Financial Statements	9
Required Supplemental Information	
Budgetary Comparison Schedule—General Fund	18
Budgetary Comparison Schedule—Fire Fund	19

As management of Ravenna Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Ravenna Township for the fiscal year ended June 30, 2005. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

The General Fund fund balance decreased \$11,911.

The Fire Fund fund balance increased \$20,348. Property tax revenue in the fire fund increased \$7,500 compared to the prior year. In addition, the fire department sold a fire truck for \$2,500.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Ravenna Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Ravenna Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

Ravenna Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Fire Fund, which are considered major funds. Data from the other fund is presented as an other governmental fund.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual revenues and expenditures for the General Fund and the Fire Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Ravenna Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of June 30, 2005, the Township's net assets from governmental activities totaled \$1,032,109.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.). These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. Certain other governmental net assets are shown as restricted, meaning that they are subject to external restrictions on how they may be used. The unrestricted net assets for governmental activities actually depict a balance of \$278,613. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities	
	2005	2004
<u>Assets</u>		
Current assets and other assets	\$ 498,042	\$ 453,717
Capital assets	933,993	940,220
Total assets	1,432,035	1,393,937
<u>Liabilities</u>		
Current liabilities	72,486	22,155
Noncurrent liabilities	327,440	365,069
Total liabilities	399,926	387,224
<u>Net assets</u>		
Invested in capital assets, net of related debt	580,943	552,996
Restricted	172,553	150,403
Unrestricted	278,613	303,314
Total net assets	\$ 1,032,109	\$ 1,006,713

Governmental Activities

Governmental activities net assets increased by \$25,396 during the 2005 fiscal year. With all of the Township's governmental operations combined, the net result was that its operating revenues exceeded its operating expenditures, producing the resulting net assets. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities	
	2005	2004
Revenues:		
Program revenues		
Charges for services	\$ 27,787	\$ 20,141
Capital grants and contributions	5,528	-
General revenues		
Property taxes	235,271	223,647
Grants and contributions not restricted	111,177	109,364
Unrestricted investment earning	4,458	4,983
Miscellaneous	27,922	10,713
Total revenues	412,143	368,848
Expenses:		
General government	162,035	153,760
Public safety	136,069	121,859
Public works	52,491	11,553
Culture and recreation	19,136	22,912
Interest on long-term debt	17,016	22,225
Total expenses	386,747	332,309
Change in net assets	25,396	36,539
Net assets – July 1, 2004	1,006,713	970,174
Net assets – June 30, 2005	\$ 1,032,109	\$ 1,006,713

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, Ravenna Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Ravenna Township governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2005 fiscal year, Ravenna Township governmental funds reported a combined unreserved fund balance of \$443,956. This number represents the unreserved fund balance of \$291,403 in the General Fund, \$141,090 in the Fire Fund and \$11,463 in the Cemetery Perpetual Care Fund. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been reserved. The Cemetery Fund has reserved \$20,000 for perpetual care. When the fund balance has been adjusted to account for these reserves, the result is a final fund balance of \$463,956, which consists of a fund balance of \$291,403 in the General Fund plus the fund balance of \$172,553 in other governmental funds.

The General Fund is the chief operating fund of Ravenna Township and the other major fund is the Fire Fund.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

- Township board expenditures increased \$1,100 to a total of \$8,550 due to compensation raises given to the trustees.
- The elections budget was amended from \$2,500 to \$3,834 due to the cost of the primary and general elections. We also had a special election in May.
- The administration budget was amended from \$44,870 to \$43,770 due to a decrease in legal fees and dues and memberships.
- The buildings and grounds budget was amended from \$10,500 to \$16,001 due to an increase in utility expenses and for additional snow plowing needed in the Township.
- The inspection department budget was amended from \$13,300 to \$14,445 due to an increase in fees for publishing items for the Planning Commission. In addition, planning and zoning and building inspection wages increased.
- The library budget was amended from \$11,300 to \$16,129 due to the purchase and installation of a fire alarm system at the library.
- The capital outlay budget was amended from \$1,500 to \$2,604 due to the purchase of a lawn mower.

The following comments summarize the major variations from the final budget to actual revenues and expenditures. General Fund property taxes, licenses and permits, state revenue sharing investments earnings and other revenues were all higher than budgeted. Administration, roads, zoning, payroll benefits and capital outlay expenditures were all higher than budgeted. Capital outlay expenditures was the most significant variance because the alarm system for the library, server, computers and voting machines were all realized in this account. Cemetery, library and community services expenditures were all lower than budgeted.

Capital Assets.

Ravenna Township investment in capital assets for its governmental activities as of June 30, 2005 totaled \$933,993 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, land improvements and vehicles and equipment.

Ravenna Township's capital asset additions included land of \$9,750, a lawn mower for the cemetery for \$2,849, an alarm system for the library for \$6,395, a computer server for \$1,700, voting machines for \$5,528 and four computers for \$1,819 each. The voting machines were donated by the State of Michigan. There were no capital asset disposals in 2005. Depreciation expense for the year was \$39,724.

Capital Assets

	Governmental Activities	
	2005	2004
Land	\$ 42,750	\$ 33,000
Buildings and improvements	701,977	701,977
Land improvements	17,328	17,328
Vehicles and equipment	394,323	370,576
Total capital assets	1,156,378	1,122,881
Less accumulated depreciation:		
Buildings and improvements	50,721	33,172
Land improvements	5,350	4,195
Vehicles and equipment	166,314	145,294
Total accumulated depreciation	222,385	182,661
Total (net of accumulated depreciation)	\$ 933,993	\$ 940,220

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Long-Term Debt

At the end of the 2005 fiscal year, Ravenna Township had total outstanding debt of \$353,050 consisting of an installment purchase agreement. The debt is backed by the full-faith and credit of the Township. The payment of this debt service is anticipated through the revenues generated from the General Fund.

The Township's total debt decreased by \$34,174 during the fiscal year. This reduction was due to normal debt payoffs as provided for in the fiscal year 2005 budget.

Additional information on Ravenna Township's long-term debt can be found in Note E of the notes to the financial statements, beginning on page 13.

General Economic Overview

Ravenna Township has set fiscal accountability and financial stability as its number one priority. This is also its greatest challenge.

The Township's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised over 83% of the General Fund's revenue sources. In fiscal 2006, state revenue sharing is expected to decline slightly. Property tax revenues should increase by the rate of inflation.

The Township expects General Fund expenditures in 2006 to increase due to the expected purchase and installation of BS&A Software for accounting procedures at an estimated cost of \$13,855. We are also planning to re-shingle the library roof at an estimated cost of \$10,500.

Requests for Information

This financial report is designed to provide a general overview of Ravenna Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ravenna Township, 3770 Blackmer Road, P.O. Box 153 Ravenna, MI 49451 (231) 853-6205.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

August 22, 2005

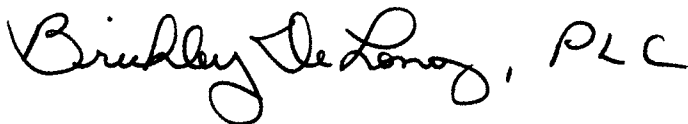
Township Board
Ravenna Township
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna Township as of and for the year ended June 30, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of Ravenna Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Ravenna Township, as of June 30, 2005, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through vii and 18 and 19 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



Ravenna Township
STATEMENT OF NET ASSETS
June 30, 2005

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 461,785
Due from other governmental units	<u>36,257</u>
Total current assets	498,042
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	42,750
Depreciable	<u>891,243</u>
Total noncurrent assets	<u>933,993</u>
Total assets	1,432,035
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	28,786
Due to other governmental units	5,300
Bonds, capital leases and contracts, due within one year	25,800
Accrued interest, due within one year	<u>12,790</u>
Total current liabilities	72,676
NONCURRENT LIABILITIES	
Bonds, capital leases and contracts, less amounts due within one year	<u>327,250</u>
Total liabilities	399,926
NET ASSETS	
Invested in capital assets, net of related debt	580,943
Restricted for:	
Fire protection	141,090
Perpetual care	
Expendable	20,000
Non-expendable	11,463
Unrestricted	<u>278,613</u>
Total net assets	<u>\$ 1,032,109</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF ACTIVITIES
For the year ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for services	Capital grants and contributions	Governmental activities
Governmental activities				
General government	\$ 162,035	\$ 7,868	\$ 5,528	\$ (148,639)
Public safety	136,069	18,081	-	(117,988)
Public works	52,491	1,838	-	(50,653)
Culture and recreation	19,136	-	-	(19,136)
Interest on long-term debt	17,016	-	-	(17,016)
Total governmental activities	<u>\$ 386,747</u>	<u>\$ 27,787</u>	<u>\$ 5,528</u>	(353,432)
General revenues				
Taxes				
Property taxes, levied for general purposes				107,043
Property taxes, levied for specific purposes				128,228
Grants and contributions not restricted to specific programs				111,177
Unrestricted investment earnings				4,458
Miscellaneous				<u>27,922</u>
Total general revenues				<u>378,828</u>
Change in net assets				25,396
Net assets at July 1, 2004				<u>1,006,713</u>
Net assets at June 30, 2005				<u>\$ 1,032,109</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
BALANCE SHEET
Governmental Funds
June 30, 2005

	General Fund	Fire Fund	Other governmental fund	Total governmental funds
ASSETS				
Cash and investments	\$ 289,232	\$ 141,090	\$ 31,463	\$ 461,785
Due from other governmental units	<u>36,257</u>	<u>-</u>	<u>-</u>	<u>36,257</u>
Total assets	<u><u>\$ 325,489</u></u>	<u><u>\$ 141,090</u></u>	<u><u>\$ 31,463</u></u>	<u><u>\$ 498,042</u></u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 28,786	\$ -	\$ -	\$ 28,786
Due to other governmental units	<u>5,300</u>	<u>-</u>	<u>-</u>	<u>5,300</u>
Total liabilities	34,086	-	-	34,086
Fund balances				
Reserved for perpetual care	-	-	20,000	20,000
Unreserved				
General Fund	291,403	-	-	291,403
Special revenue funds	-	141,090	-	141,090
Permanent fund	<u>-</u>	<u>-</u>	<u>11,463</u>	<u>11,463</u>
Total fund balances	<u>291,403</u>	<u>141,090</u>	<u>31,463</u>	<u>463,956</u>
Total liabilities and fund balances	<u><u>\$ 325,489</u></u>	<u><u>\$ 141,090</u></u>	<u><u>\$ 31,463</u></u>	<u><u>\$ 498,042</u></u>

The accompanying notes are an integral part of this statement.

Ravenna Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**
June 30, 2005

Total fund balance—governmental funds	\$ 463,956
---------------------------------------	------------

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,156,378	
Accumulated depreciation	<u>(222,385)</u>	933,993

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

Installment purchase agreement	(353,050)
--------------------------------	-----------

Accrued interest in governmental activities is not reported in the governmental funds.	<u>(12,790)</u>
--	-----------------

Net assets of governmental activities in the Statement of Net Assets	<u><u>\$ 1,032,109</u></u>
--	----------------------------

The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended June 30, 2005

	General Fund	Fire Fund	Other governmental fund	Total governmental funds
REVENUES				
Property taxes	\$ 107,043	\$ 128,228	\$ -	\$ 235,271
Licenses and permits	18,081	-	-	18,081
Intergovernmental revenues - state	111,177	-	-	111,177
Charges for services	7,868	-	1,838	9,706
Investment earnings	4,458	-	-	4,458
Other	13,943	9,757	-	23,700
Total revenues	262,570	137,985	1,838	402,393
EXPENDITURES				
Current				
General government	147,978	-	-	147,978
Public safety	13,810	79,237	-	93,047
Public works	48,056	-	-	48,056
Community and economic development	2,395	-	-	2,395
Culture and recreation	19,136	-	-	19,136
Other governmental functions	19,359	-	36	19,395
Debt service				
Principal	-	34,174	-	34,174
Interest and fees	-	4,226	-	4,226
Capital outlay	23,747	-	-	23,747
Total expenditures	274,481	117,637	36	392,154
Net change in fund balances	(11,911)	20,348	1,802	10,239
Fund balances at July 1, 2004	303,314	120,742	29,661	453,717
Fund balances at June 30, 2005	\$ 291,403	\$ 141,090	\$ 31,463	\$ 463,956

The accompanying notes are an integral part of this statement.

Ravenna Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
For the year ended June 30, 2005

Net change in fund balances—total governmental funds	\$	10,239
--	----	--------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(39,724)	
Capital outlay		<u>33,497</u>	(6,227)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

34,174

Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid.

(12,790)

Change in net assets of governmental activities

\$ 25,396

The accompanying notes are an integral part of this statement.

Ravenna Township
STATEMENT OF FIDUCIARY NET ASSETS
 Fiduciary Funds
 June 30, 2005

	<u>Trust and Agency</u>	<u>Current Tax Account</u>	<u>Totals</u>
ASSETS			
Cash and investments	\$ <u>75</u>	\$ <u>241</u>	\$ <u>316</u>
LIABILITIES			
Due to other governmental units	\$ -	\$ 241	\$ 241
Other liabilities	<u>75</u>	<u>-</u>	<u>75</u>
Total liabilities	\$ <u>75</u>	\$ <u>241</u>	\$ <u>316</u>

The accompanying notes are an integral part of this statement.

Ravenna Township
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ravenna Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

1. Reporting Entity

Ravenna Township (Township) is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the special tax millage levied by the Township for operation of the fire department.

The Township only has one other governmental fund, the Cemetery Perpetual Care Fund.

Additionally, the Township reports the following fund type:

The agency funds account for assets held by the Township on behalf of others in a fiduciary capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 state taxable value for real/personal property of the Township totaled approximately \$64,114,000. The ad valorem taxes levied consisted of 1.2021 mills and 2.0 mills for the Township's general operating and fire operating purposes. These amounts are recognized in the General Fund and the Fire Fund, respectively.

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

c. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Land improvements	15
Vehicles and equipment	5-20

d. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

e. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

f. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the permanent fund, which is not budgeted. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to June 30, the Township Board reviews a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. The budget is legally enacted through passage of an ordinance.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

2. Excess of Expenditures Over Appropriations

For the year ended June 30, 2005, General Fund expenditures exceeded appropriations for public works by \$8,201, community and economic development by \$1,195, payroll benefits by \$5,549 and capital outlay by \$21,143. These overexpenditures were funded with available fund balance.

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by a nationally recognized statistical rating organizations (NRSROs). The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of June 30, 2005, \$175,569 of the Township's bank balance of \$475,569 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 33,000	\$ 9,750	\$ -	\$ 42,750
Capital assets, being depreciated:				
Buildings and improvements	701,977	-	-	701,977
Land improvements	17,328	-	-	17,328
Vehicles and equipment	370,576	23,747	-	394,323
Total capital assets, being depreciated	1,089,881	23,747	-	1,113,628
Less accumulated depreciation:				
Buildings and improvements	33,172	17,549	-	50,721
Land improvements	4,195	1,155	-	5,350
Vehicles and equipment	145,294	21,020	-	166,314
Total accumulated depreciation	182,661	39,724	-	222,385
Total capital assets, being depreciated, net	907,220	(15,977)	-	891,243
Capital assets, net	\$ 940,220	\$ (6,227)	\$ -	\$ 933,993
Depreciation				
Depreciation expense was charged to functions as follows:				
General government				\$ 2,808
Public safety				35,390
Public works				1,526
				\$ 39,724

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE E—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended June 30, 2005.

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Installment purchase agreement	\$ <u>387,224</u>	\$ <u>-</u>	\$ <u>34,174</u>	\$ <u>353,050</u>	\$ <u>25,800</u>

Governmental activities:

\$423,580 - 2002 Installment Purchase Agreement;
due in annual installments of \$38,400 including
interest through July 2017; interest at 4.29%

\$ 353,050

Annual debt service requirements to maturity for debt outstanding as of June 30, 2005, follows:

<u>Years ending</u> <u>June 30,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 25,786	\$ 12,614
2007	24,361	14,039
2008	25,406	12,994
2009	26,496	11,904
2010	27,633	10,767
2011-2015	157,017	35,003
2016-2017	<u>66,351</u>	<u>5,546</u>
	\$ <u>353,050</u>	\$ <u>102,867</u>

NOTE F—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability and property risk as a member of the Michigan Township Participating Plan (MTPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MTPP for its insurance coverage. The MTPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for workers' compensation, employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Ravenna Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
June 30, 2005

NOTE G—RETIREMENT PLANS

Defined Contribution Pension Plan

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers all of its elected officials. The Township contributes 10 percent of each eligible employee's salary to the plan. Participants are not required to contribute to the plan. The Township's contribution for the year ended June 30, 2005 was \$4,450.

NOTE H—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 42 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Ravenna Township
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended June 30, 2005

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 105,000	\$ 105,000	\$ 107,043	\$ 2,043
Licenses and permits	10,175	10,175	18,081	7,906
Intergovernmental revenues - state	104,000	104,000	111,177	7,177
Charges for services	8,000	8,000	7,868	(132)
Investment earnings	2,500	2,500	4,458	1,958
Other	8,100	8,100	13,943	5,843
Total revenues	237,775	237,775	262,570	24,795
EXPENDITURES				
Current				
General government				
Township board	7,450	8,550	8,135	415
Supervisor	8,900	8,900	8,800	100
Elections	2,500	3,834	3,834	-
Board of review	1,100	1,100	540	560
Clerk	16,850	17,425	17,485	(60)
Treasurer	17,600	17,600	17,540	60
Assessor	14,500	14,500	14,399	101
Administration	44,870	43,770	45,000	(1,230)
Cemetery	16,900	16,900	15,655	1,245
Building and grounds	10,500	16,001	16,590	(589)
Public safety				
Inspection department	13,300	14,445	13,810	635
Public works				
Roads	39,855	39,855	48,056	(8,201)
Community and economic development				
Zoning	1,200	1,200	2,395	(1,195)
Culture and recreation				
Library	11,300	16,129	9,770	6,359
Community services	16,150	16,150	9,366	6,784
Other governmental functions				
Insurance	9,000	9,000	9,610	(610)
Payroll benefits	4,200	4,200	9,749	(5,549)
Capital outlay	1,500	2,604	23,747	(21,143)
Total expenditures	237,675	252,163	274,481	(22,318)
Net change in fund balance	\$ 100	\$ (14,388)	(11,911)	\$ 2,477
Fund balance at July 1, 2004			303,314	
Fund balance at June 30, 2005			\$ 291,403	

Ravenna Township
BUDGETARY COMPARISON SCHEDULE
 Fire Fund
 For the year ended June 30, 2005

	Budgeted Amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 123,000	\$ 123,000	\$ 128,228	\$ 5,228
Other	9,661	9,661	9,757	96
Total revenues	<u>132,661</u>	<u>132,661</u>	<u>137,985</u>	<u>5,324</u>
EXPENDITURES				
Current				
Public safety	82,342	82,342	79,237	3,105
Debt service				
Principal	34,174	34,174	34,174	-
Interest and fees	<u>4,226</u>	<u>4,226</u>	<u>4,226</u>	<u>-</u>
Total expenditures	<u>120,742</u>	<u>120,742</u>	<u>117,637</u>	<u>3,105</u>
Net change in fund balance	\$ <u><u>11,919</u></u>	\$ <u><u>11,919</u></u>	20,348	\$ <u><u>8,429</u></u>
Fund balances at July 1, 2004			<u>120,742</u>	
Fund balances at June 30, 2005			\$ <u><u>141,090</u></u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

August 22, 2005

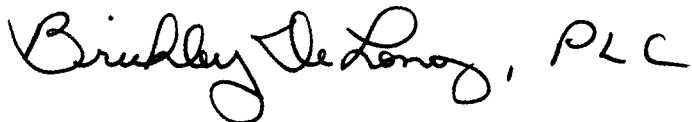
Township Board
Ravenna Township
Ravenna, Michigan

In planning and performing our audit of the financial statements of the Ravenna Township for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted a certain matter involving internal control and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Ravenna Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brickley DeLong, PLC". The signature is written in a cursive, flowing style.

REPORTABLE CONDITION

Recommendation 1: Budgets for each fiscal year should be adopted prior to July 1 of such fiscal year.

During our audit, we noted that the budget for the year ended June 30, 2005 was not formally adopted by the Township Board prior to July 1, 2004. Michigan Public Act 621 requires budgets to be approved prior to the commencement of the fiscal year. That is, Township budgets must be approved on or before the June 30 preceding the first day of each fiscal year, July 1.

The adoption of the budgets prior to the commencement of the fiscal year would ensure compliance with Michigan Public Act 621.